

Message Text

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C O N F I D E N T I A L BANGKOK 0630

LIMDIS

E.O. 11652: GDS

TAGS: EAIR, TH, UK

SUBJ: CIVAIR: AIR SIAM SEEKS THAI INTERNATIONAL ROUTES

REF: BANGKOK 0569 (NOTAL)

1. EMBOFF ON JAN 12 REVIEWED AIR SIAM-THAI INTERNATIONAL STRUGGLE OVER ROUTE RIGHTS WITH DR. SIRILAK CHANDTHRANGSU, UNDER SECRETARY, MINISTRY OF COMMUNICATIONS, AND HIS SON, DR. SISUK, WHO IS RIGHT-HAND MAN TO FATHER IN MINISTRY'S CONDUCT OF AVIATION BUSINESS. MAIN THRUST OF CONVERSATION WAS THAT RTG CABINET MAY WELL AUTHORIZE TRANSFER OF THAI INTERNATIONAL'S NORTHERN ROUTES TO AIR SIAM UNLESS: (1) KHUKRIT GOVERNMENTS FALLS OVER OTHER ISSUES (WHICH DR. SIRILAK BELIEVES IS LIKELY), OR; (2) AIR SIAM FINDS ITSELF BEREFT OF AIRCRAFT WITHIN THE NEXT TWO MONTHS (WHICH DR. SIRILAK ALSO BELIEVES IS LIKELY.)

2. ACCORDING DR. SIRILAK, AIR SIAM HAS FOR SOME MONTHS BEEN SHOPPING WITHOUT SUCCESS FOR AIRCRAFT TO REPLACE ITS LEASED B-747, WHICH AER LINGUS HAS REPORTEDLY SOLD FOR DELIVERY TO BRITISH AIRWAYS IN FEBRUARY, AND ITS DC-10, WHICH, HE SAID, A SWEDISH LESSOR HAS AGREED TO DELIVER TO OLYMPIC AIRWAYS IN MARCH. OTHER LESSORS AND MANUFACTURERS HAVE PROVED RELUCTANT TO DEAL WITH AIR SIAM, ACCORDING DR.
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SIRILAK, BECAUSE OF ITS PRECARIOUS FINANCIAL CONDITION

AND POOR PROSPECTS FOR RECOVERY ON BASIS EXISTING ROUTE NETWORK.

3. IN THESE CIRCUMSTANCES, AND AGGRAVATED BY UK BAN ON CARRIAGE OF HONG KONG-JAPAN TRAFFIC, AIR SIAM PROPOSED THAT MINISTRY OF COMMUNICATIONS EXPAND AIR SIAM'S ROUTE STRUCTURE AT EXPENSE THAI INTER, DR. SIRILAK SAID. THE THEORY IS, DR. SIRILAK SAID, THAT ACQUISITION OF ADDITIONAL ROUTE RIGHTS WOULD MAKE IT POSSIBLE FOR AIR SIAM TO ACQUIRE AIRCRAFT AND ADDITIONAL FUNDING. SOME BANKS HAVE BEEN SUPPORTING AIR SIAM'S PROPOSAL, AND THE AIRLINE HAS SUDDENLY ACQUIRED MANY NEW FRIENDS, LED BY FOREIGN MINISTER CHATCHAI, IN THE CABINET, ACCORDING TO DR. SIRILAK. HE STATED THAT MINISTER OF COMMUNICATIONS SIRI SIRIYOTHIN IS OPPOSED TO THE ROUTE TRANSFER, BUT THAT THE AIR SIAM CLIQUE IS NOW SO STRONG HE FEARS THE PROPOSAL WILL BE APPROVED IF IT GOES TO CABINET. IT WAS ORIGINALLY TO HAVE BEEN CONSIDERED JAN 6, BUT WAS DEFERRED TO JAN 13 AS RESULT CABINET CHANGES, DR. SIRILAK SAID; HE ASSUMED IT WOULD BE DEFERRED AGAIN AS A RESULT PENDING VOTE OF CONFIDENCE. (ALTHOUGH DR. SIRILAK DECLINED TO BE DRAWN INTO DISCUSSION OF FOREIGN MINISTER'S MOTIVES, DR. SISUK, AFTER HIS FATHER'S DEPARTURE, STATED THAT AIR SIAM HAD "PURCHASED" FOREIGN MINISTER'S SUPPORT.) DR. SIRILAK ADDED THAT HE IS "ENTIRELY FED UP" WITH AIR SIAM AND THAT HE NOW HOPES "THAT AIR SIAM CAN BE LIQUIDATED."

4. EMBOFF ASKED WHETHER DR. SIRILAK HAD READ THE RECENTLY ISSUED BOOK "TEMCO II", ALLEGEDLY WRITTEN BY A REPORTER FOR "DAILY TIME", WHICH PURPORTS TO PROVE THAT AIR SIAM IS IN LARGE PART OWNED BY FOREIGNERS. HE SAID HE HAD, AND THAT IT IS ACCURATE, BUT THAT AIR SIAM HAD ALREADY BRIBED THE AUTHOR TO RECAT. "THEY HAVE BRIBED PRACTICALLY EVERYBODY EXCEPT ME," HE ADDED WRYLY. PRIOR TO DEPARTING FOR AN AIR SIAM-THAI INTER MEETING WITH HIS MINISTER, DR. SIRILAK STATED THAT THAI INTER'S EMPLOYEES ARE FEARFUL ABOUT THEIR JOBS, AND WARNED THAT THE AIRLINE'S 2,000 AIRPORT WORKERS MIGHT SHUT DOWN THE AIRPORT, AND RESORT TO VIOLENCE, IF THAI INTER'S ROUTES ARE GIVEN AWAY.

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6. SUBSEQUENTLY, EMBOFF ASKED DR. SISUK ABOUT RESULTS OF INQUIRY INTO OWNERSHIP AND FINANCIAL STATUS OF AIR SIAM. SISUK SAID COMMITTEE MET FOR FINAL TIME JAN 9 TO APPROVE FINAL DRAFT, AND THAT FORMAL REPORT WOULD BE SENT TO MINISTER SOON. HE SAID AIR SIAM REFUSED TO PERMIT COMMITTEE TO EXAMINE ITS BOOKS, BUT THAT INVESTIGATORS HAD COLLECTED CONSIDERABLE EVIDENCE REGARDING FOREIGN OWNERSHIP (COMMENT: THIS WAS PRESUMABLY BASIS FOR FULL PAGE ADVERTISEMENT, IN THAI, IN

BANGKOK "POST" JAN 11, LISTING AIR SIAM'S 17 PRINCIPAL STOCKHOLDERS, NINE OF WHOM, ALTHOUGH THEIR HOLDINGS ACCOUNT FOR LESS THAN 20PERCENT OF TOTAL, ARE FOREIGN.) DR. SISUK DOUBTED REPORT WILL BE MADE PUBLIC.

7. EMBOFF REMINDED SISUK USG WOULD BE INTERESTED IN ANY EVIDENCE SHOWING FOREIGN OWNERSHIP OF AIR SIAM, SINCE UNDER U.S. LAW AND REGULATION, A FOREIGN AIRLINE OPERATING TO U.S. MUST BE SUBSTANTIALLY OWNED AND CONTROLLED BY CITIZENS OF COUNTRY. DR. SISUK STATED THAT "IF USG SHOULD DECIDE TO TAKE ACTION AGAINST AIR SIAM, RTG WOULD NOT RETALIATE". (COMMENT: THIS WAS PROBABLY SAID IN GOOD FAITH, BUT, CLEARLY, DR. SISUK CAN HYPOTHESIZE ONLY FOR THE MINISTRY OF COMMUNICATIONS.)

8. IN RESPONSE TO QUERY ABOUT DC-10 PURCHASES, DR. SISUK SAID THAI INTERNATIONAL HAD TAKEN OPTION ON ONLY ONE ADDITIONAL DC-10 (RATHER THAN THREE AS REPORTED REFTTEL); DISCUSSION OF TWO OTHERS HAD BEEN "VERY TENTATIVE", HE SAID.

9. COMMENT: ONE KEY TECHNICAL ELEMENT IN ALL OF THIS IS DR. SIRILAK'S ASSERTION (PARA 2) THAT AIR SIAM IS ABOUT TO LOSE ITS TWO AIRCRAFT WITHIN NEXT 60 DAYS. WE WILL SEEK ADDITIONAL INFO HERE, AND BY SEPTTEL WILL ASK EMBASSIES LONDON, DUBLIN AND ATHENS TO MAKE INQUIRIES.
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